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EXTENSION NOTES

Ontario

A BUSINESS APPROACH TO OWNING RURAL PROPERTY

For many people their land is more than an asset — it's their home, their business, and often part of their family heritage. And while some are content with simply owning property for their own enjoyment, others may find that land ownership is a financial strain. It doesn't have to be this way. More and more, people are realizing that they can benefit financially from innovative land uses while protecting their property as a sustainable resource and wildlife habitat.

With this goal in mind, it is clear that good business planning and a sound knowledge of tax regulations and property rights are not things to be taken lightly. Businesses need more than money and dreams to keep them alive and profitable; they also need to be carefully managed.

This Extension Note is a summary of the LandOwner Resource Centre's (LRC) planning guide for property owners entitled *Making Your Woodland Pay, Financial Aspects of Property Management.* It highlights the advice outlined in the guide and focuses on the economic benefits of owning land. *Making Your Woodland Pay* promotes a business-like approach to rural property ownership, while encouraging healthy land-use decisions. The goal is to give readers an incentive to try new business ventures and provide them with a basic understanding of the financial, tax and legal aspects of land ownership.

WHAT ARE THE NEW OPPORTUNITIES?

While traditional woodlot products like lumber, fuelwood and maple syrup will always be mainstays of our industry, there are many opportunities that woodland owners have yet to tap. We're continually seeing new examples of emerging products and services from across North America. The lesson is simple; landowners must constantly seek out new business niches by recognizing emerging trends in new products and the way we live. Consider these demographic changes:

- Canada has an aging population. Babyboomers, now approaching retirement, will have greater disposable income than any previous generation.
- An older, more environmentally aware population is looking for recreational activities that are based on exercise and the enjoyment of nature (e.g. cross-country skiing, birdwatching and hiking).
- A majority of Canadians live in urban centres. These areas are home to an increasingly diverse cultural community. This can translate into niche markets for rural property owners catering to ethnic tastes and interests.
- Use of alternative medicines is on the upswing across North America. The sale of natural and organic products is a billion-dollar industry.

Although traditional woodlot operations can be successful and profitable, owners need to recognize and develop new products, services, and markets. For example:

- Although once considered non-traditional, forest foods such as leeks, fiddleheads, edible greens and berries are now commonly sold. Specialty products, such as medicinal plants, are also being harvested successfully.
- The harvesting, drying and marketing of edible wild mushrooms is a growing venture in Canada. And in the United States, cultivation of the Shiitake mushroom, which thrives on decaying hardwoods, is becoming a multi-million dollar business.
- Some service-based activities for rural landowners may include: farm vacations, bed and breakfast guest rooms, and guide services for birdwatching and nature studies. Other innovative options are leasing land for hunting and fishing, or charging fees for access to recreational hiking, skiing or snow-shoeing.

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GETTING STARTED — THE PROPERTY INVENTORY AND MANAGEMENT PLAN

Before embarking on a business venture, do an inventory of your property to help you decide which opportunities are worth pursuing. A property inventory is essential in the development of management plans and business plans. Detailed advice about conducting an inventory is contained in the LRC publication, *A Woodland Management Plan.*

DEVELOPING A BUSINESS PLAN

Now that you've done an inventory of your property and come up with a business idea, planning is essential. No matter how good your idea is, financial constraints must be considered. Research price trends and consumer attitudes. Decide how much time and energy you have. Think your ideas through, and research any areas where you believe you need more information.

Experienced owners and managers know that a business plan is an indispensable management tool. It changes as conditions change, and if you revise your plan to meet the situation, the plan acts as a road map. It will help you make short-term decisions on a day-to-day, or week-to-week basis, and it will lay the foundation for your long-term business planning.

A business plan can take many forms. It can be a professionally prepared report, or a few handwritten pages. In any form, a business plan is a written text that states your goals; is a guide to achieving those goals; and outlines expected results. *Making Your Woodland Pay* explains the various components of a business plan and offers advice about how to prepare a comprehensive plan.

TAX ISSUES FOR WOODLOT OWNERS

Taxes can mean the difference between profit and loss for your woodlot operation. They can also affect the types of management activities you may want to consider, and even your decision to manage a woodlot as a business. The two main types of taxes that affect woodlot owners are income taxes and property taxes. Property taxes are levied by the province, and the amount you pay depends on the assessed value of your property. Income taxes are levied by both the federal and the provincial governments.

THE LEGAL PROFILE OF A BUSINESS

One of the first decisions in setting up a business is to determine what the legal profile of the enterprise will be. The legal profile defines what the business is, and who owns it. The rural landowner must consider who will use the land and what the land will produce (a product or service), as well as who has the current title to the land and who may inherit it.

PROPERTY RIGHTS

Our system of laws divides property into two main categories: real property and personal property. Land or real estate is real property. A person who owns property does not actually own the land in the same sense as we commonly think of ownership of an item of personal property. What he or she owns is an "estate" or an "interest" in land. This section of *Making Your Woodland Pay* explains the intricacies of property ownership rights.

CONCLUSION

Making Your Woodland Pay provides an extensive list of recommended reading material and possible sources of information to help guide you when planning a business venture. The guide provides useful, but not overwhelming information, in a way that is easy to read and understand.

Making Your Woodland Pay is available from the:

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Note: There is a charge for this publication

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